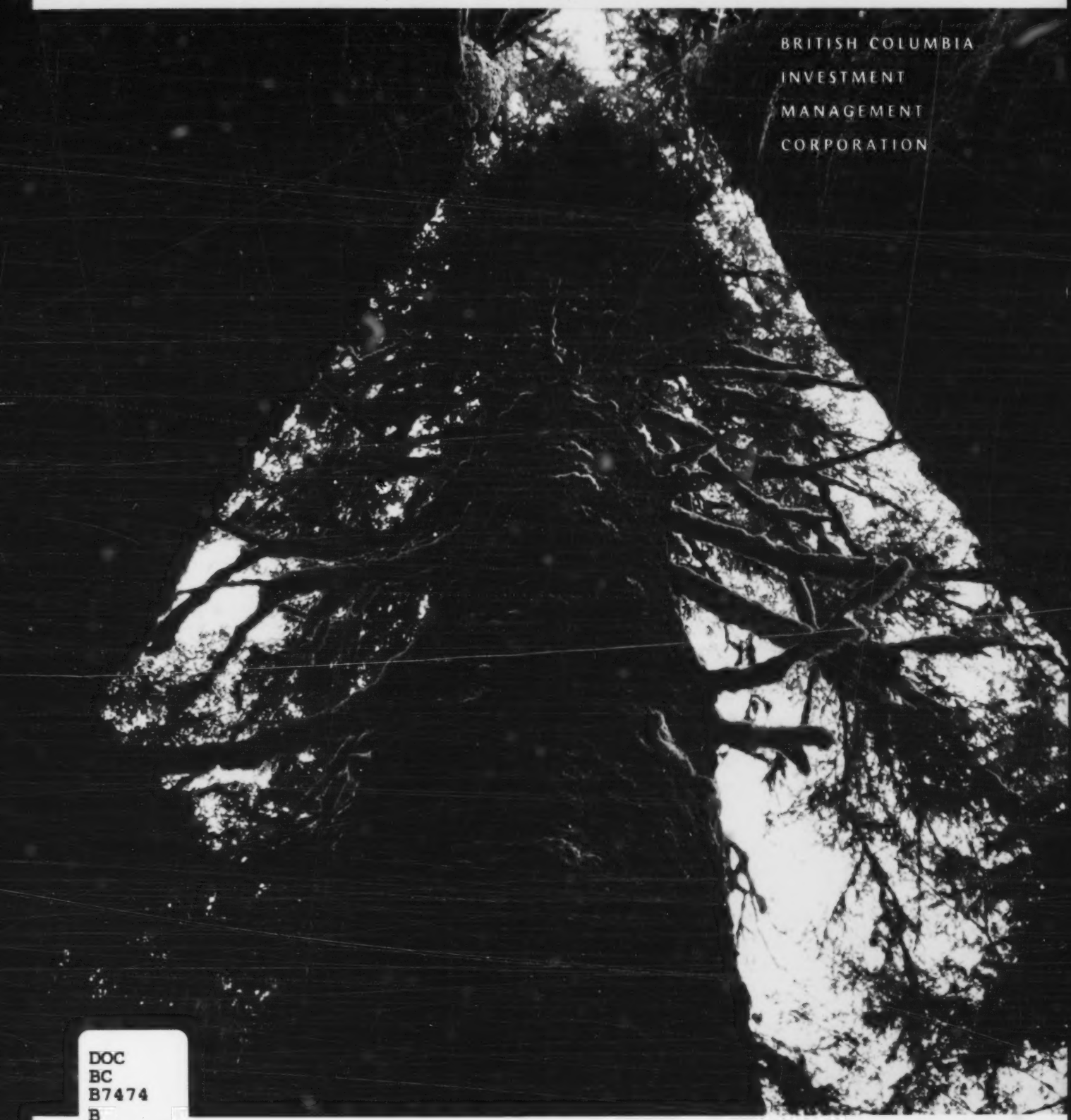

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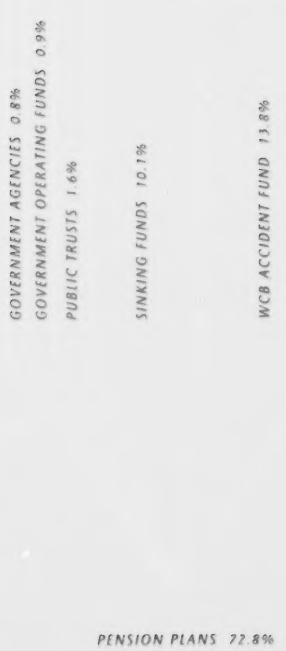
Keeping the long term perspective.

bc imc

CLIENT PROFILE AT MARCH 31, 2003



Accountable to our clients, to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility, while returning to the client the highest return for a given level of risk, at a reasonable cost.

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
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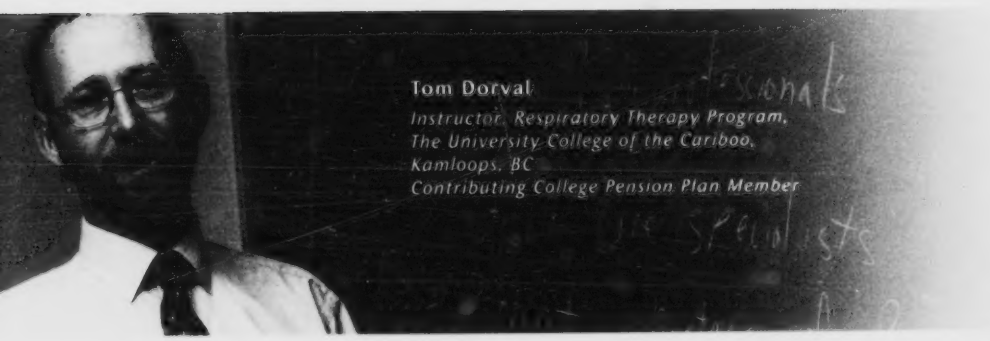
Corporate Profile	2
The Year in Review	3
Message from the Chair	4
Our Board	8
Report by the Chief Executive Officer/Chief Investment Officer	9
Investment Services	15
Major Asset Classes and Portfolio Performance	18
Corporate Governance	25
Service Plan Compliance	28
Pooled Fund Annualized Returns	30
Financial Statements	31
Our Team	41



Tom Dorval
Instructor, Respiratory Therapy Program,
The University College of the Cariboo,
Kamloops, BC
Contributing College Pension Plan Member

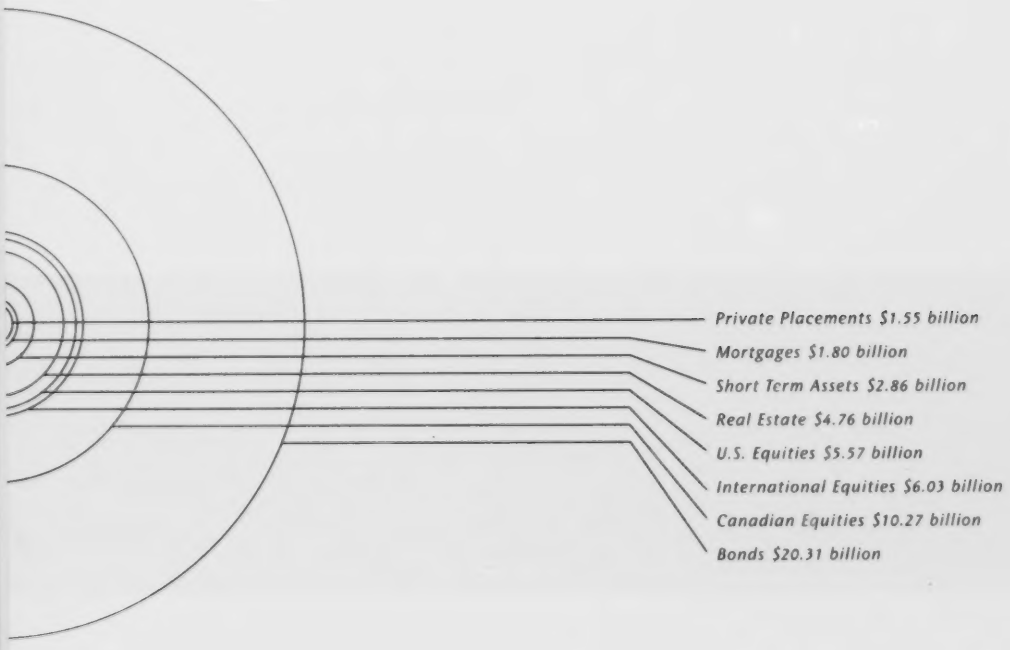
LEGISLATIVE LIBRARY
VICTORIA, B.C.
APR 22 2004

The British Columbia Investment Management Corporation (bcIMC) provides comprehensive investment management services to British Columbia's public sector and is one of Canada's largest institutional fund managers with a diversified portfolio of $53.2 billion of assets under administration.

bcIMC is a trust company, established under the *Public Sector Pension Plans Act*.

Based in Victoria, bcIMC plays an important role in the economic and financial life of British Columbia by providing services to a broad range of clients across the province. These include pension plans representing BC's college instructors and staff, municipal and healthcare workers, firefighters, police officers, public servants and teachers; the staff and faculty at the University of Victoria; employees of the Workers' Compensation Board, BC Rail, BC Hydro; and Members of the Legislative Assembly. bcIMC also serves the investment needs of the Workers' Compensation Board Accident Fund, the BC government and its agencies and a wide variety of publicly administered trust funds.

To illustrate the scope of British Columbians who are beneficiaries of our activities, we have included photos of our clients in this year's annual report.

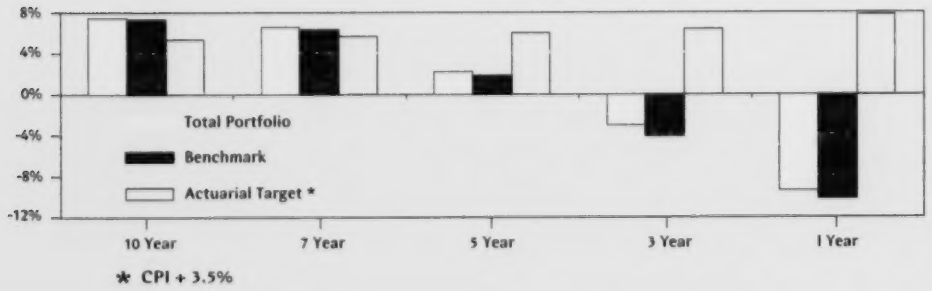


$53.2 BILLION
ASSETS UNDER ADMINISTRATION
AT MARCH 31, 2003

Despite difficult global financial markets for the year ended March 31, 2003, bcIMC had a variety of achievements:

- Matched or exceeded benchmark returns for the majority (70%) of the bcIMC pooled funds that were operational for the full year, including strong performances by the Specialty Mortgage Fund (9.2%) and the Corporate Bond Fund (9.0%).
- Added 73 basis points above the benchmark for a typical portfolio of pension assets. Total pension portfolio added value was $283 million.
- Introduced new investment programs, such as infrastructure, currency overlay and currency hedging, to enhance portfolio return and reduce risk.
- Successfully launched a new mortgage management system to improve tracking of key mortgage security data and reduce operational risk.
- Acquired a half ownership of Bankers Hall, Calgary's premier office complex.
- Completed development of three apartment complexes, with three more projects currently under construction.
- Began voting proxies for international equities to further expand the scope of our corporate governance oversight and activism.
- Met our clients' growing investor education needs by initiating an orientation program for pension trustees.

BANKERS HALL
Calgary, Alberta



* CPI + 3.5%

INVESTMENT PERFORMANCE OF PENSION PLAN ASSETS
ANNUALIZED RETURNS FOR PERIODS ENDED MARCH 31, 2003

CHAIR
Chris Trumpy
Deputy Minister
of the Ministry of
Provincial Revenue.
Appointed by Minister
of Finance.
Member of the
Audit Committee

As an independent Crown corporation created just three years ago, bcIMC's new structure has evolved in the most volatile of times. Following the double-digit equity return environment at the Corporation's inception, equity markets are now experiencing their worst period in many decades. Declining interest rates have led to strong fixed income returns, but they have been insufficient to offset negative equity returns.

Throughout this dynamic period of market exuberance and retrenchment, bcIMC has worked closely with our clients to determine how their funds should be allocated among the various asset classes to optimize consistent long term returns, without deviating from clients' risk tolerances. We also strive to maximize portfolio performance through tactical investment decisions.

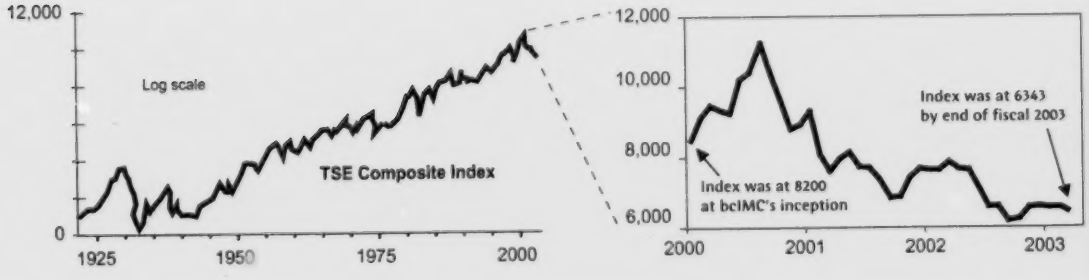
bcIMC's investment approach focuses on adding long term value to clients' assets, smoothing out periods of volatility such as we have recently experienced. The board is responsible for ensuring that the Corporation has the necessary infrastructure to respond to challenging operating environments and achieve strong, steady performance over time. Consequently, the board focuses on operational issues such as risk management, costs and efficiency, human resources and succession planning. The board also believes it is important for our clients to be well informed about investment issues and to have the products they need to achieve their investment objectives.

Striving for better operational performance

As investment management activity grows in sophistication, the investment industry increasingly relies on technology solutions to manage and process information and devise solutions for clients. bcIMC continues to invest in information technology tools to improve operational and investment performance.

In fiscal 2003, we introduced a new mortgage management system and completed web-based Extranet sites to give major clients access to current

THE CANADIAN EQUITY MARKET OVER THE DECADES



information on their investment portfolios. Previously, a new performance measurement and attribution system was launched to provide clients with more detailed information and explanations of their investment results. In the current fiscal year, we plan to implement a new trade order management system and a new private placement system.

Attention to operational excellence is designed to satisfy clients that bcIMC is doing all it can to meet their expectations at reasonable cost. A recent independent survey found that clients have a high level of satisfaction with both our services and people.

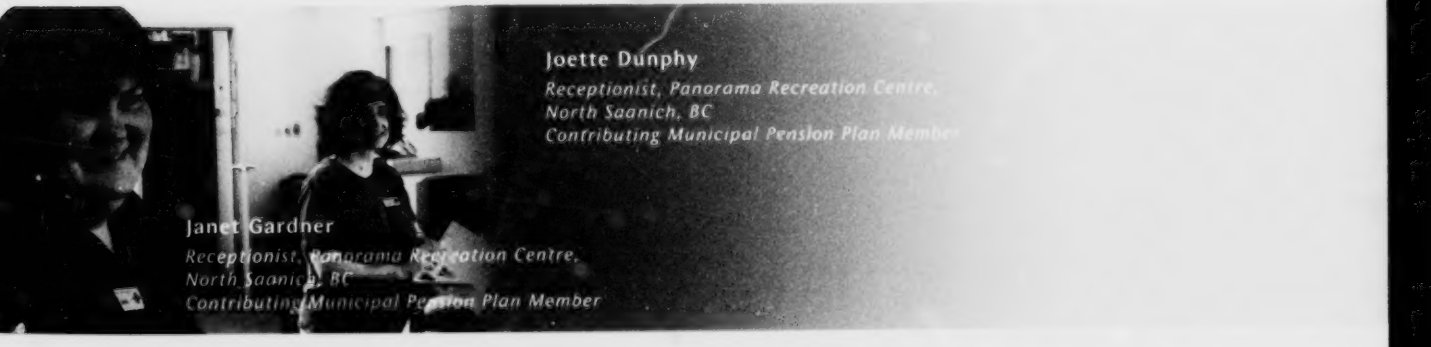
Products and knowledge to achieve objectives

It is always a challenge for investors to keep the short term behaviour of capital markets in a longer term perspective. Whether investors will have sufficient cash flows to meet their future obligations depends on many factors, most of which are beyond bcIMC's control. What we can do, however, is ensure that client funds are invested prudently relative to liabilities, the client's investment objectives and risk tolerance. A diversified product range helps us accomplish this and in fiscal 2003, the board approved several new pooled funds designed to enhance portfolio return and reduce risk.

We must also keep clients informed of the investment decisions made by bcIMC management, in line with the approved policies. Last year, bcIMC initiated an intensive new two-day educational program for pension trustees. More of these sessions will be offered in fiscal 2004.

Controlling costs

Operating expenses are a determinant of overall investment returns, particularly in a period when these returns are very low. A key responsibility of the board is to review and approve the Corporation's annual and multi-year business plan and budget. bcIMC is an efficient organization, costing about $73 million, or 14 cents per $100 of assets, to operate in fiscal 2003.



According to an industry study, bcIMC provides internally managed investment services at lower costs than other large Canadian pension funds, while the costs of our externally managed pools are generally below the median of that peer group.

Managing risks

Investing involves taking on various types of market risk in order to generate superior returns. However, clients are not rewarded for exposure to operational risk – risks of work interruption due to natural and other disasters, and internal failures of systems, people and processes. As a result, an important part of the board's oversight role is to ensure that all operational risks are minimized. Currently, each department within bcIMC is undergoing an operational risk review in order to identify, assess, and manage current or potential risks. Once this review has been completed, a framework will be put in place to ensure bcIMC's operational risk management practices remain current and robust.

Managing risk is a continuous, pro-active process. Last year, for example, all departments were tested and proved their ability to sustain business operations in the event of a disaster. During fiscal 2003, a disaster recovery plan was put in place for the board in order to keep the business functioning should a sudden event prevent bcIMC's employees from fulfilling their day-to-day duties. The Corporation also has an overall business continuation plan that is re-examined annually.

Recruiting and retaining staff

bcIMC is appropriately staffed for its current scale of operations and investment approach, with 91 employees and four vacancies at year end. In fiscal 2003, we recruited a Vice President, Equity Investments and a Vice President, Legal Affairs and General Counsel. Should difficult market conditions persist, the Corporation may need to hire additional investment professionals to hunt for investment opportunities.

Although we have a high employee retention rate at present, a major risk is the loss of, or inability to recruit, the talent needed to ensure the Corporation's long term success. To deal with this issue and to help ensure a stable workforce, the board recently created a Human Resources and Compensation Committee. It is essential that we nurture our intellectual capital through training and a challenging work environment. This includes succession planning so that talented individuals have rewarding long term career progression.

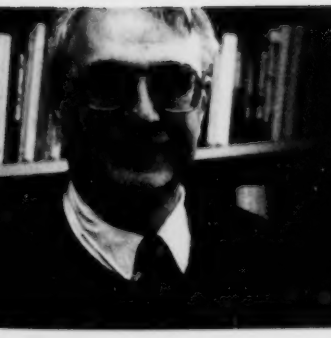
Acknowledgements

In fiscal 2003, the board completed the first self-assessment of its performance. I am pleased that the directors are comfortable with the candour and openness of our discussions.

Over time, of course, the board's membership changes. This year, Michael Costello stepped down as a director. He was instrumental in creating bcIMC and was a source of informed insight for all of us. On behalf of the board, I would like to thank Michael for his valuable contribution to bcIMC. We welcome as a new director Bob Elton, Executive Vice President, Finance and Chief Financial Officer of BC Hydro.

On behalf of the board, I would also like to thank bcIMC's team for their hard work and dedication.

Chris Trumpy
Chair



Allan Warnke
Malaspina-University College Faculty,
Nanaimo, BC
Contributing College Pension Plan Member

Chris Trumpy
Chair of the Board
Deputy Minister of the
Ministry of Provincial Revenue,
Appointed by Minister of Finance,
Member of the Audit Committee

Joan Axford
Secretary-Treasurer,
School District No. 63 (Saanich),
Appointed by Teachers'
Pension Board of Trustees,
Member of the Human Resources
and Compensation Committee

Bob Elton
Executive Vice President,
Finance and Chief
Financial Officer,
BC Hydro,
Appointed by Minister of Finance,
Member of the Audit Committee

Sid Fattedad
Vice President, Finance and
Information Services and Chief
Financial Officer of Workers'
Compensation Board of BC,
Appointed by Minister of Finance,
Member of the Human Resources
and Compensation Committee

Bruce Kennedy
Executive Director Pensions,
Public Sector Employers'
Council Secretariat,
Appointed by College Pension
Board of Trustees

Paul Martin
Social Policy Researcher with
BC Government and Service
Employees' Union,
Appointed by Public Service
Pension Board of Trustees,
Member of the Human Resources
and Compensation Committee

Ed Pakos
Battalion Chief,
Victoria Fire Department,
Appointed by Municipal
Pension Board of Trustees

The Board of Directors is responsible for ensuring bcIMC has appropriate controls and accountabilities in place and that the Corporation provides satisfactory service levels to our clients. In addition, the board is required to authorize new pooled funds, select and appoint bcIMC's CEO/CIO and our auditors, and approve the annual budget, including fees and staff compensation.

Board committees add depth to bcIMC's corporate governance by assisting the directors in the execution of their responsibilities. The committees operate as follows:

- The *Audit Committee* consisting of two directors and an independent, outside appointee, oversees bcIMC's audit programs, financial management controls and financial reporting. Roger Clarke, retired Vice President, Finance and Chief Financial Officer of BC Rail, is our outside appointed member of the Audit Committee.

- The *Human Resources and Compensation Committee* (HRCC) consisting of three directors, reviews matters relating to human resource strategies, compensation philosophy, succession management, performance and associated payments under incentive plans, and proposed changes to terms and conditions of employment, human resource policies and benefit plan designs.

Doug Pearce
Chief Executive Officer/
Chief Investment Officer

Overview

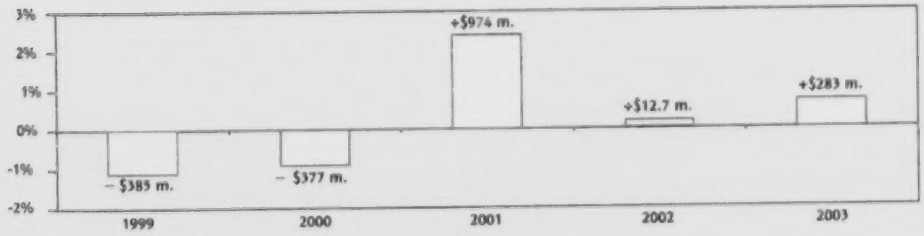
2002/2003 was another challenging year for investment managers, and a difficult period in which to keep a long term focus.

There is not a great deal of good news to report from the financial markets or about investment returns. During the last three years, equity markets have experienced the steepest and longest declines in more than 80 years. While our clients have been underweight equities since the emergence of the technology bubble, they were still affected by the downturn, as equities are typically the largest asset group for most pension plans. Interest rates fell to levels last seen in the 1960s, boosting returns on fixed income investments and real estate, but not enough to offset the impact of falling equity prices.

Overall, it was an extremely difficult year for balanced fund managers to generate positive returns. bcIMC exceeded its client return benchmarks but the returns were negative for the balanced accounts under management. As a result, many of our clients saw the value of their portfolios decline last year.

bcIMC was able to match or exceed performance benchmarks, adding relative value for almost all clients, by virtue of our tactical asset allocation decisions – holding equities below policy targets, overweighting fixed income allocations – and by challenging our investment managers to search for incremental returns in every aspect of the investment process.

I realize that beating benchmarks while losing money is of little comfort to our clients. However, in a period of stress such as we have seen over the last several years, the task of the investment manager is to be defensive – preserving capital and minimizing losses. bcIMC's goal is to earn incremental value relative to the benchmark while still operating within our clients' approved risk management framework. In this regard, we were successful.



ANNUAL VALUE ADDED BY bcIMC
Total pension portfolio return minus benchmark return for the year ended March 31

Loss of investor confidence

Market psychology could not have been worse over the past couple of years. Dishonest accounting, failed corporate management and governance, terrorism, war and disease contributed to a weak economy, record low interest rates, a lengthy decline in equity prices, and a loss of investor confidence.

As I look ahead, the emerging environment for capital markets remains uncertain:

- The global political scene has undergone some major upheavals over the past two years, and creating a more orderly and peaceful world will be a challenge for our political leaders.

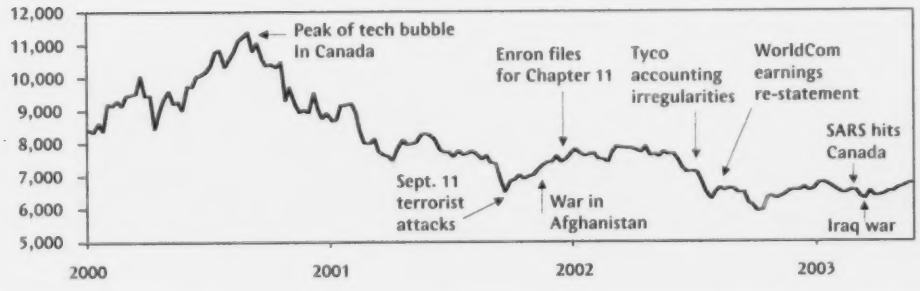
- The excesses of the stock market bubble are still being unwound:
  - A great deal of paper wealth was created and destroyed.
  - The cost of capital fell sharply, funding excess capacity that is still being absorbed and depressing capital investment today.

- Risks continue to hang over capital markets and economies when they are still fragile:
  - Terrorism.
  - Threats of hostilities (India-Pakistan, North Korea, Congo and elsewhere).
  - Disease (SARS, West Nile Virus).

Equity investing and corporate ethics

While external shocks have had an impact on investment returns, market participants also bear much responsibility for the excesses of the late 1990s. Many were chasing returns, willing to overlook the absence of real earnings, accounting sleight-of-hand and governance issues provided stock prices kept rising.

EQUITY MARKETS UNDER STRESS
S&P/TSX Composite Index



This led to numerous examples of indefensible corporate conduct not seen since the early part of the 20th century. There have been too many examples of corporate directors and officers failing to look after shareholders' interests and publishing incomplete, misleading or dishonest financial statements. In other cases, boards have approved compensation packages that fail to align the incentives of senior executives with the interests of shareholders.

The fundamental failure of corporate governance is that boards are not providing the oversight and guidance to management, that is their primary duty. As an institutional investor, we accept this responsibility and will keep the pressure on boards and management, and hold them to account should they fail to act in the best interests of shareholders.

It is clear that in some specific instances of pervasive fraud and dishonesty in a large, complex corporation, it would have been difficult for the most diligent board to manage. In such hopefully rare instances in the future, boards, shareholders, regulators and courts will ultimately have to root out and punish the wrong-doers, and work hard to build a corporate culture of honesty and integrity.

There are signs of progress on capital market regulatory reform, including increased oversight and enhanced accounting, reporting and transparency standards. The United States has introduced tougher legislation and regulations dealing with basic corporate governance principles.

This is having a positive influence in Canada, where there is a vigorous debate between rules-based and principles-based governance and accounting standards, as well as mandatory and voluntary compliance frameworks. bcIMC believes that acceptable standards of corporate governance, ethical conduct and financial disclosure should be principles-based and that there should be mandatory compliance, with effective penalties. Our clients must be able to trust the leadership of companies they invest in. Executives and boards should be held to public account without confusion about what is expected of them.

Bill Brewer
Entitlement Officer,
Workers' Compensation Board of BC,
Richmond, BC
Contributing WCB Superannuation Plan

Earning incremental value

Around the world, investment managers and their clients have been struggling to generate positive returns in this difficult environment. bcIMC is no exception. We are a major player in the Canadian pension fund industry, an industry that faces many challenges for many years to come. All industry participants face the possibility that future investment returns may not meet pension plan sponsors' funding requirements.

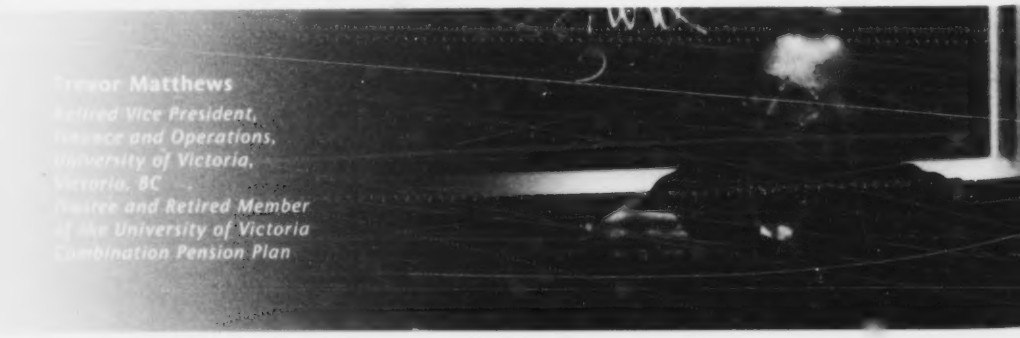
As a result, some investors have lost confidence in traditional investment strategies, and stock and bond investments. Many are being lured by the recent high returns of newer, more exotic vehicles that are being promoted to the yield-starved investor. These new products have their own risks and will not replace traditional asset classes.

It is difficult to produce risk-adjusted portfolio returns superior to market performance over the long term. Yet, that is the true test for investment professionals. With this in mind, bcIMC takes an active approach to all investments. In addition to our actively managed equity and bond funds, we deploy active trading strategies to indexed equity funds. We have also established an equity-based derivative pool for the United States, and plan to launch similar pools for Europe and global markets to better manage market risk. This will provide flexibility in gaining equity exposure at lower cost than acquiring the underlying assets, and to maximize permissible foreign property exposure. We also work hard to earn incremental returns in the short term within clients' asset allocation and risk management frameworks.

bcIMC will continue to focus on generating these incremental returns and seek alternative investments opportunities that can help generate the long term risk-adjusted returns our clients require.

Alternative investments

Recently, bcIMC set up an infrastructure fund to find opportunities that can generate strong returns and cash flows, which help to offset future liabilities. These opportunities require large sums of patient capital. We also introduced a currency overlay program to enhance returns.



Trevor Matthews
Retired Vice President, Finance and Operations, University of Victoria, Victoria, BC
Trustee and Retired Member of the University of Victoria Combination Pension Plan

What returns can we expect?

Most plans bcIMC serves have actuarial assumptions that nominal returns will range from 7.0 to 7.5 per cent. Although many clients saw their portfolios decline in value last year, longer term returns continued to exceed actuarial targets.

Current stock valuations in North America are at historical norms – although companies are more reasonably valued, they are not undervalued. As a result, equity returns will likely average between 6 and 7 per cent over the next few years – in line with long-run averages – but will be highly variable.

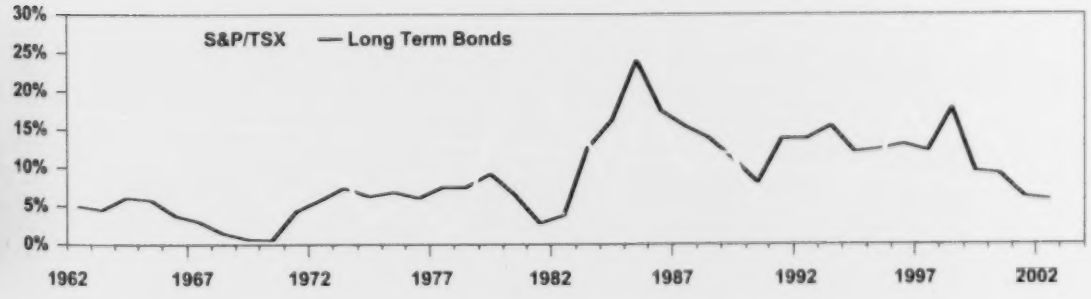
In the short term, bonds have out-performed equities. However, in the current low interest rate environment, bonds are less attractive looking forward than equities. Fixed income returns are likely to range from 4.5 to 5.5 per cent over the next few years.

Furthermore, the positive effects of actuarial smoothing will dissipate in the near future, as the high-return years of 1998 and 1999 fall out of the calculations, replaced by the under-performance in more recent years. This heightens the risk that the actuarial value of plans' liabilities will exceed the value of their assets. Some advocate switching from equities to bonds to reduce portfolio risk, yet the low expected yield on bonds will make it difficult to generate returns sufficient to avoid missing actuarial targets in some years. The bottom line? It will be a challenge to achieve the required returns of 7.0 to 7.5 per cent.

How much market risk is acceptable?

The over-riding goal of our clients is to have sufficient cash flow to meet their future financial obligations. Pension plans also want to avoid an increase in contribution rates or reductions in benefits. This may require clients to take on additional market risk. But how much risk should they assume?

There is no single answer to this question. Taking on greater portfolio risk to obtain higher long term returns means accepting greater volatility and occasionally negative returns, with some plans slipping in and out of fully funded status. Clients may be able to moderate this risk by including other bcIMC pooled funds in their portfolios, such as corporate and government bonds, mortgages, infrastructure and real estate, and through currency hedging and overlay programs.



RETURNS DECLINING
Rolling 5-year average annual returns

bcIMC's commitment to clients

We recognize that these are difficult times for our clients who are expecting returns on their assets that exceed their minimum funding requirements. Beating benchmarks is little consolation when overall returns are negative. For bcIMC's investment managers, minimizing losses and preserving capital are essential but unsatisfying for them too, compared to generating positive returns for clients.

As we navigate these difficult markets, it is important to maintain a long term focus. bcIMC will ensure that clients are fully informed of our thinking and are aware of the risk-return profile of their assets. Our investment philosophy will not waver from the cornerstones of diversification, due diligence, discipline and patience. *Diversification* spreads risk among asset classes and geographic markets. *Discipline* involves systemic portfolio rebalancing to reduce exposure to unexpected market developments. *Due diligence* drives our understanding of the risk/return profile of existing assets and new opportunities. *Patience* means looking through periods of uncertainty and volatility and staying focused on long term performance and objectives.

I want to assure each of our clients that the employees of bcIMC are working very hard at all stages of the investment process to exceed performance and service expectations. We provide a strong investment platform and significant economies of scale that ensure bcIMC is efficient and cost-competitive over the long term.

We are fortunate to report to an excellent board and I extend my appreciation to our staff for their commitment to being agile and innovative in adding value to clients' assets.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

Nicole Vaugeois
Malaspina-University College Faculty, Nanaimo, BC
Contributing College Pension Plan Member

We view ourselves as being an extension of our clients' organization (i.e. their internal investment staff) and provide an integrated range of investment consulting, management, and operational services.

Consulting services

bcIMC's Policy and Research Department helps the governing fiduciaries design investment policies and strategies that reflect their funds' underlying liabilities, as well as their investment objectives and risk tolerances.

Pension plans constitute our largest client group. These funds have long term investment time horizons and, as a general rule, have positive cash flows (i.e. the plans' current contributions exceed their current payments). Consequently, the trustees are generally willing to engage in a significant asset/liability mismatch in order to enhance their long term returns and reduce costs to the plan sponsors. However, each plan faces its own specific set of circumstances (e.g., demographic profile) and the trustees and/or stakeholders may differ in their willingness to take the risks of an asset/liability mismatch.

In fiscal 2003, bcIMC worked with the plans' actuary and prepared asset/liability studies for four of our pension clients. The goal was to help the trustees find an asset mix strategy that was prudent and appropriate to their specific circumstances.

Another large client is the Workers' Compensation Board Accident Fund. The Accident Fund is established to pay compensation benefits to workers who are injured while on the job. The Workers' Compensation Board and its Investment Committee are responsible for establishing the investment policies and strategies for the Accident Fund and it manages its own fixed income portfolio. bcIMC assists them in this regard by providing accounting and policy advice, as well as trade management and back office support. We also manage some of the Accident Fund assets.

OUR INVESTMENT SERVICES

Investment Consulting

Asset-liability research, portfolio construction and policy development, trustee education and investment advice, reports on fund, industry, market and economic events

Investment Management

Short Term Assets

Canadian Equities

International Equities

Real Estate

Infrastructure

Bonds

U.S. Equities

Mortgages

Private Placements

Currency

Investment Operation

Trade settlement, custody, cash management, corporate action and corporate governance administration, rebalancing, risk management, accounting, performance measurement

Legal Affairs

Kevin Dalgarno
Regional Biologist,
BC Hydro,
Armstrong, BC
Contributing BC Hydro Pension Plan Member

Approximately 10 per cent of the assets under our administration are sinking funds. Sinking funds are established to help pay down the long term debt obligations of the Province of British Columbia and government bodies. Sinking funds are managed under tight risk parameters and take a small, highly controlled asset/liability mismatch. The Corporation's investment goal is to add incremental value and thereby reduce debt-servicing costs to British Columbia taxpayers.

Other money managed on behalf of the government and government bodies typically have a very short term investment horizon (e.g., operating funds). These funds are invested with minimal market risk. The goal is to ensure that British Columbia taxpayers get the best possible return on the Province's temporary cash balances.

We also manage the assets of a variety of publicly administered trust funds. These funds' investment policies are customized to suit their specific needs and payment obligations. For example, the Office of the Public Guardian and Trustee has established two portfolios to serve its clients. The first provides short term clients with a steady income stream and takes very little market risk. The second portfolio is for their long term clients, for whom it is prudent and appropriate to tolerate a greater degree of risk, in exchange for greater long term growth.

Investment management services

We have 44 pooled portfolios available for client investment, which cover all of the major asset classes. This includes five new funds that were introduced in 2002/2003. Pooled portfolios enable participating funds to share cost efficiencies and provide bcIMC's clients with significant flexibility and a wide range of investment options. Clients only invest in those pooled funds that suit their investment objectives, asset mix policies, and risk tolerances. In some cases, the governing fiduciaries have restricted their fund to a single asset class or pooled investment portfolio. In other cases, bcIMC has been given a balanced mandate and invests in multiple pools and asset classes.

Martha Carlow
Retired Clerk, BC Ferries,
Saanich, BC
Retired Public Service Pension Plan Member

The pooled investment portfolios can provide bcIMC's clients with exposure to a wide variety of styles and approaches. Where equity markets are efficient, bcIMC advocates that clients have a significant portion of their allocation in indexed funds. This gives them a broad market exposure, at extremely low management fees. Where equity markets are less efficient, we advocate clients having a greater portion of their funds actively managed. This is because there is greater scope for the fund manager to add value. Assets within bcIMC's active equity pooled portfolios are invested by a variety of external managers, reflecting different investment styles (e.g., growth, value), and market outlooks. External specialists also manage our clients' private equity and real estate assets.

Indexed fund management means that companies/sectors are held in rough proportion to their weighting in the broad-based index. However, strictly speaking, bcIMC applies active management techniques to all its pooled portfolios, including indexed equity funds. The goal is to add incremental value to offset management costs and provide our clients with a slightly higher risk adjusted return. We use internal specialists to manage the indexed equity pooled portfolios as well as fixed income and mortgage assets.

In fiscal 2003, we introduced a foreign currency overlay program to enhance returns. Although we do not systematically hedge clients' foreign currency exposure, we will take a more active stance to currency hedging when we feel that it is in the best financial interests of our clients.

Investment operations

bcIMC delivers investment operation services on an efficient shared-cost basis, including securities settlement, securities lending, investment accounting, performance measurement, policy compliance, proxy voting, cash flow, and risk management.

Risk management is an increasingly important priority for investment managers. Capital markets have been highly volatile and the outlook is uncertain. Global markets are moving into a more synchronized pattern and the correlations

between different stock markets have been increasing. Technological innovation has accelerated capital flows and trading anywhere in the world is an almost instant experience. During the past two years, we have improved our risk management systems to better document all investment and operating risks and improve their measurement and analysis. We will further mitigate risk by implementing a trade order management system to achieve straight-through processing.

Risk management is part of our corporate culture and a component of employee compensation incentives.

bcIMC's Investment Accounting Branch is responsible for the day-to-day accounting, operational risk management, financial control and reporting for clients' funds under administration. The Investment Accounting Branch liaises with our clients' accounting staff to provide a better understanding of any new pooled funds (and its attendant utilization of new financial instruments) that the client invests in. The branch assists our clients by providing advice on industry best practices on investment reporting and disclosure issues.

The following is a general description of the major assets classes in which clients invest and the performance of bcIMC's pooled portfolios. Generally, our asset pools have exceeded the independently derived, market-based benchmarks set for us by clients.

Fixed income securities

Fixed income securities provide predictable cash flows and tend to offset the volatility of equities. Having greater certainty of income, they stabilize a diversified portfolio.

We manage pools of Canadian government and corporate bonds, and short term securities. Over the past five years, these fixed income portfolios have

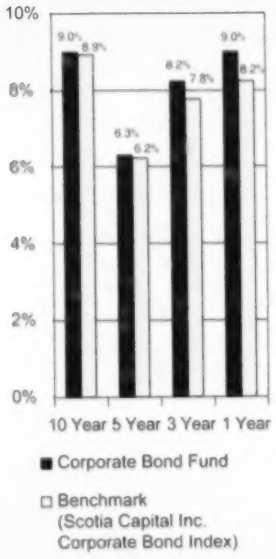
Chris Edgar
Teacher,
Montroyal Elementary School,
North Vancouver, BC
Contributing Teachers' Pension Plan Member

added cumulative value for investors. In fiscal 2003, short term rates declined to the lowest point in generations. Long term Canadian interest rates fell from nearly 5.9 per cent to 5.1 per cent during the year, while credit spreads gradually narrowed. As a result, the returns on bcIMC's four bond pools ranged from 9.0 per cent on the Corporate Bond Fund to 12.3 per cent on the Long Term Bond Fund.

Our holdings of federal and provincial bonds are similar in size at approximately $9 billion each, while short term securities and corporate bonds total over $2 billion each. The portfolio of corporate bonds, which has higher risk, normally has higher returns than our government bond funds. In fiscal 2003, however, government bonds outperformed corporate bonds. Several corporations were downgraded by credit rating agencies in response to concerns about their debt load, profitability and reliability of financial statements. In some cases, A-rated bonds dropped to the BBB level, below our credit standard.

bcIMC also manages real-return bonds that provide returns above inflation. These securities are desired by investors with inflation sensitive liabilities but can be difficult to obtain because new issues have not been offered for some time. The $1.9 billion of real return bonds held by bcIMC (and included in our government bond portfolio) represent about 9 per cent of the Canadian public market supply.

CORPORATE BOND FUND PERFORMANCE
Annualized Returns for the Periods Ending March 31, 2003

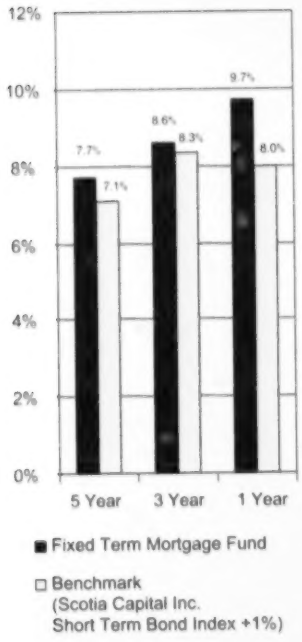


Mortgages

Commercial mortgages produce stable and predictable cash flows with superior returns to government bonds, though at greater credit risk and reduced liquidity. Our three portfolios are diversified by loan type, geography and product type, giving investors choice by liquidity, duration and risk/return expectations. For example, our fixed-term loans mature in one to ten years and are approximately evenly distributed between western and eastern Canada.

UBC MARKETPLACE,
a mixed-use project financed through bcIMC's Construction and Fixed Term Mortgage Funds

FIXED TERM MORTGAGE FUND PERFORMANCE
Annualized Returns for the Periods Ending March 31, 2003



In fiscal 2003, our mortgage pools exceeded their benchmarks and have provided consistently strong returns since inception.

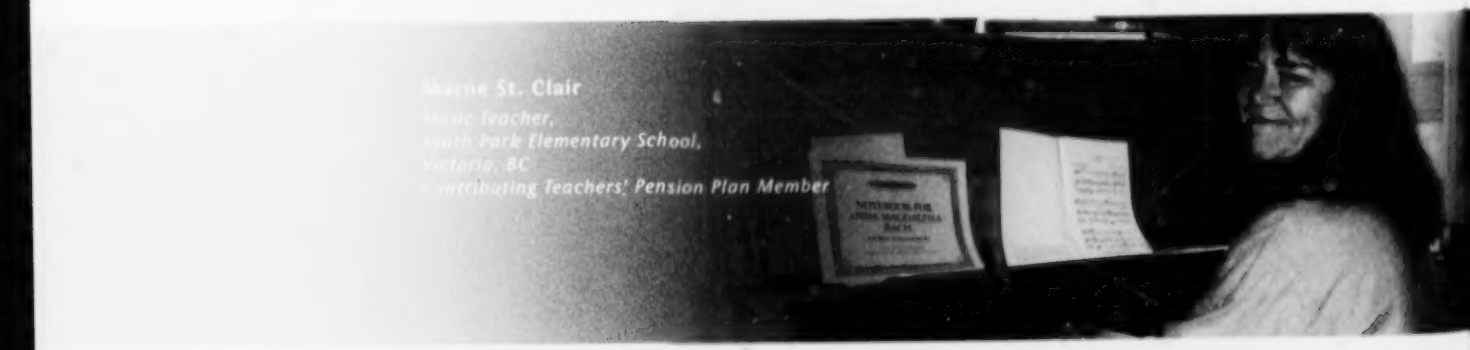
bcIMC's Fixed Term Mortgage Fund has grown rapidly to $1.6 billion, a 44 per cent increase in fiscal 2003. A good part of the growth came from the transfer of mortgages from our Construction Mortgage Fund on completion of projects that we financed. Since launching our Construction Mortgage Fund in 1995, we have financed $1.5 billion of commercial and multi-residential development throughout Canada, including $804 million in British Columbia.

Last year, Canada had the largest increase in housing starts in more than a decade and we underwrote more than $400 million of new product. Product quality is always a concern to mortgage investors. As no credit rating agency grades these investments, we have developed our own annual risk rating for fixed-term mortgages. The ratings reflect changes in building vacancy rates, lease rates, property values and other factors to help bcIMC evaluate changes in mortgage risk levels. The ratings enable us to determine a mortgage's value as well as its attractiveness at renewal.

In December 2002, we implemented a new mortgage management system that has improved our underwriting and advance tracking functions. The system reduces operational risk and enhances our oversight of key mortgage security data.

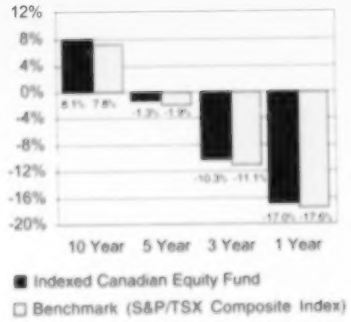
Public equities

Equities offer higher long term returns than fixed-income securities, compensating for their higher risk and greater short term price volatility. bcIMC manages 13 pooled portfolios with diversification by geographic markets and investment styles. Nineteen investment firms manage our active public equity pools and enhanced U.S., EAFE and European index portfolios. Our staff professionals, led by a new Vice President in 2003, manage all indexed funds and a portion of the recently launched enhanced Canadian index pool.



During fiscal 2003, returns on our foreign equity pooled portfolios ranged from –24.5 to –32.5 per cent, while Canadian equity pool returns were in the –16 per cent range.

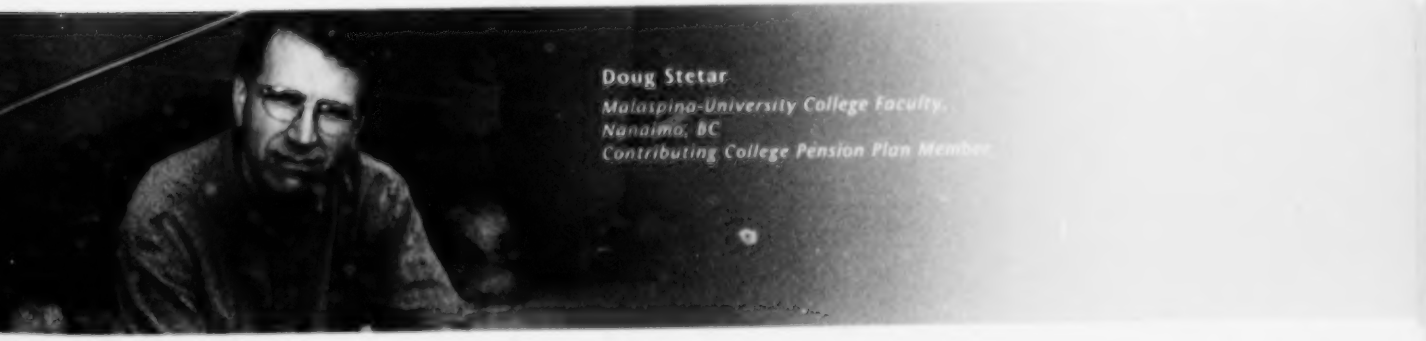
INDEXED CANADIAN EQUITY FUND PERFORMANCE
Annualized Returns for the Periods Ending March 31, 2003



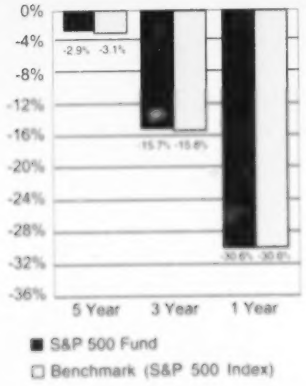
We have three equity pools. One is an indexed fund that is designed to match the risk profile of the S&P/TSX Composite Index on the Toronto Stock Exchange while adding incremental return. The fund achieved its performance objective by outperforming the market index in fiscal 2003, as well as in seven of the past eight years. The second Canadian equity pool is externally managed by several Canadian fund managers who invest actively with the goal of exceeding the pooled fund's benchmark by 200 basis points (two percentage points). The new Enhanced Canadian Equity Fund, comprised of two externally managed portfolios and one internally managed portfolio, is the third pooled fund offered for Canada. The enhanced index pool's performance objective is to earn returns that exceed the S&P/TSX Composite Index by 100 basis points (one percentage point) while maintaining the same level of risk as the market.

Canadian public equities comprise only two per cent of the global equity markets and, as other equity markets develop, Canada continues to shrink in relative terms. However, investing outside Canada remains important both for the range of investment opportunities available and the diversification benefits.

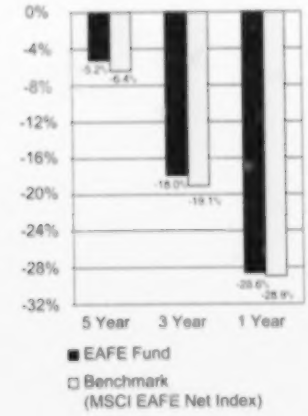
We invest through five pooled funds to access the world's largest and most diverse capital market. Three of the U.S. equity pools are indexed funds. One replicates the Standard & Poor's 500 index of large American companies. A second is our U.S. Value Index Fund comprised of companies with low price-to-book value ratios and high dividend yields. The third is an enhanced U.S. index fund. These funds deviate only slightly from their market benchmarks over the long term. We also offer an



S&P 500 FUND PERFORMANCE
Annualized Returns for the Periods Ending March 31, 2003



EAFE FUND PERFORMANCE
Annualized Returns for the Periods Ending March 31, 2003



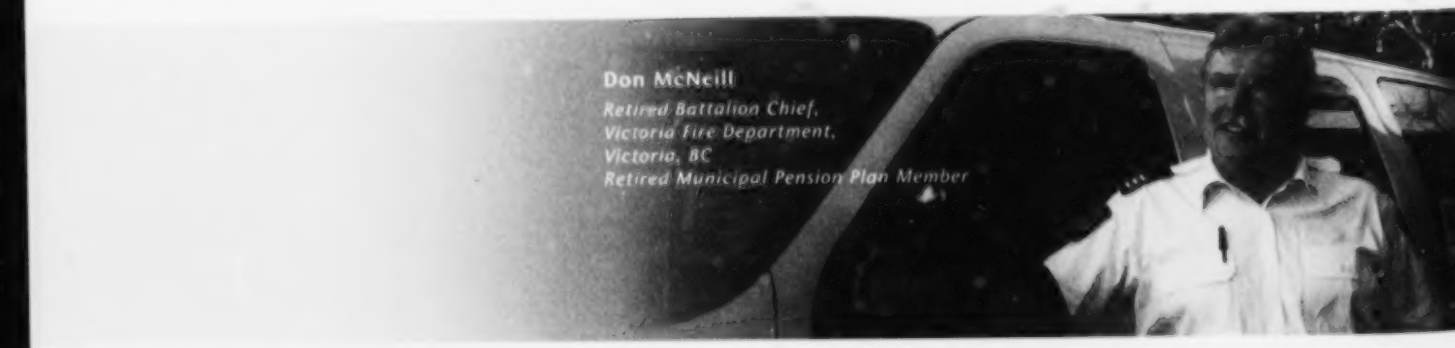
Active U.S. Equity Fund that pools the investment skills of five external managers with nine mandates that vary according to style and size. A U.S. Equity Derivatives Fund that we launched last year further diversifies our product line.

While the U.S. equity market performed poorly for the third year in a row, our indexed U.S. funds essentially matched or exceeded benchmark returns in fiscal 2003. Our actively managed U.S. equity fund underperformed its benchmark last year although over the longer term, the Active U.S. Equity Fund has done better than the market.

bcIMC manages three pooled equity funds. An index fund replicates the risk/return characteristics of the Morgan Stanley Capital International (MSCI) EAFE index of about 1,000 companies in Europe, Australia, Asia and the Far East. It is combined with our actively managed international funds to create our EAFE Fund that provides excellent diversification and value-added benefits. A second fund matches the risk/return features of the MSCI Europe index of about 550 companies, primarily in the Eurozone and the United Kingdom. Combined with active portfolios, it forms our European Fund.

The EAFE Fund exceeded its benchmark in fiscal 2003 while the European Fund underperformed the general market. We recently awarded a new European mandate to an existing investment partner who manages other international assets with the goal of improving the European Fund's performance.

The third international portfolio, the Asian Fund, is managed by external professionals with expertise in Japan and other Asia-Pacific equity markets. The use of active managers reflects our belief that the inefficiencies of the Asian equity markets are more suited to active management than indexing. Over the longer term this fund has outperformed its benchmark, although annual returns are highly volatile.



Don McNeill
Retired Battalion Chief,
Victoria Fire Department,
Victoria, BC
Retired Municipal Pension Plan Member

Private placements

bcIMC makes private equity and debt investments to provide companies with capital for start-up, expansions, new developments, or restructuring, or to acquire interests in companies from selling shareholders. Most investments are made through limited partnerships managed by external investment management firms, acting as general partners. These managers possess in-depth knowledge in special areas related to their investment focus – geographic markets, industry sectors, firms, products and technologies – and their investment approach – acquisitions, venture capital or expansion capital. bcIMC has relationships with approximately 50 general partners that manage 85 limited partnerships. We also invest directly alongside these managers in select opportunities ("co-investments").

In fiscal 2003, we committed $369 million to six new funds in Canada, the United States and Europe, and completed an $8 million co-investment in a Canadian dental laboratory service company. In total (since 1995), bcIMC has made $3.1 billion in private placement commitments, of which nearly 20 per cent is focused on commercial innovation and enterprise growth in British Columbia.

Limited partnership investments typically have 10- to 12-year lives. Commitments to the partnership funds are drawn down as general partners find attractive, qualified investments. bcIMC receives proceeds as the funds distribute income received from the underlying investments, and when the funds' investments are ultimately sold. During the investment period, the investment managers work actively with the portfolio companies to expand and strengthen the businesses.

As there is no readily available trading market for the investments, the managers develop effective strategies to generate exit opportunities for the investments. Generally, over the past three years, opportunities to sell private companies through sales to strategic purchasers or public share offerings have

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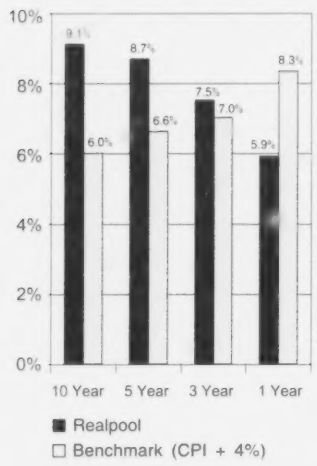
CANADIAN REAL ESTATE FUND PERFORMANCE
Annualized Returns for the Periods Ending March 31, 2003



been relatively scarce due to depressed capital markets. However, the Canadian income trust market provided a notable exception in fiscal 2003. bcIMC's portfolio benefited from the emergence and strength of the income trust market, with the conversion of three private companies into income trusts. These transactions established value of approximately $88.5 million on $20 million of investment.

Real estate

Real estate is a hybrid investment having risk/return attributes between those of bonds and equities. It has a fixed income component in the form of contractual rents and an equity component in the value of the land and buildings. Real estate generates relatively stable cash flow, generally appreciates over long periods of time in step with inflation making it a partial hedge for liabilities linked to inflation, and diversifies an investment portfolio.

bcIMC began investing in high-grade Canadian real estate in 1990 and introduced its first real estate pooled fund in 1991. Today, our $4.8 billion real estate program includes Canadian office and apartment properties, with smaller holdings of industrial, retail and mixed-use properties. We also invest in foreign opportunities that currently include condominium developments in China and apartments in Missouri. In addition, we participate in real estate funds with investments in the United States, Europe and Asia.

We are long term investors and select properties that will perform reliably through positive and negative economic cycles. Last year, our Canadian real estate pooled fund, Realpool, underperformed relative to its benchmark return although, for the most recent decade, the fund had a 9.1 per cent return, outperforming its benchmark by over 3 per cent. Our office properties outperformed the long term industry trend due to their quality in attracting creditworthy tenants, leading to low vacancy rates and reliable rental income. Our multi-residential property portfolio also had an extended period of strong performance and is one of Canada's finest multi-family portfolios. Currently,

three new apartment buildings are being built in Vancouver and Calgary. bcIMC is one of Canada's most active developers and in fiscal 2003, we invested $306 million in new projects. They included high-rise apartment buildings in Vancouver and Calgary, the upgrade of a North Vancouver shopping mall, the completion of two office buildings in Ontario, and the construction of a large industrial property in Richmond, British Columbia.

We acquired six properties for $480 million, including more than $300 million invested in half ownership of Bankers Hall, the premier office complex in downtown Calgary. The twin 47-storey office towers and 4-storey office/retail podium are 96 per cent leased. Other acquisitions were apartment buildings in Edmonton, Calgary and Vancouver and a residential land site in Vancouver. With Canadian properties generally fully priced, we have moderated our volume of acquisitions.

We sold 12 properties, including apartment buildings, land, retail malls, mixed-use commercial properties, and industrial properties to realize $206 million. Our policy is to divest assets when we believe their value has been optimized and capital can be better deployed elsewhere, particularly in developing new projects.

The shares we hold in Canadian and foreign companies carry voting rights that have intrinsic economic value since research shows that good corporate governance improves investor returns. Therefore, bcIMC is pro-active on behalf of our clients in communicating governance expectations to corporate boards and executives. Our thinking on these matters is reflected in our *Corporate Governance and Proxy Voting Guidelines* that can be found on our website at www.bcimc.com.

In the past two years, our staff has assumed full responsibility for voting all Canadian and U.S. proxies and, since January 2003, the proxies for the top 200 companies in our international portfolio. These 200 companies represent

CANADIAN PROXY VOTING RECORD FOR FISCAL 2003

Issue	Number	Voted For	Voted Against
Election of Boards of Directors	258	79%	21%
Appointment of Auditors	228	89%	11%
Executive Compensation Plans	103	26%	74%
Takeover Protections	28	75%	25%
Shareholder Rights	77	35%	65%
Total	694	69%	31%

75 per cent of the market weight of our international holdings. We maintain a comprehensive proxy-voting database, contract external research and advisory services, execute votes on-line, and internally analyze proxy-voting results. Many boards remain insensitive to issues that we believe could either damage or enhance shareholder value. Each year, many of the same issues arise, indicating that directors are not yet paying attention to the views of corporate owners or practicing diligent oversight of management and the company's activities.

Executive compensation

A recurring issue is excessive executive compensation. bcIMC voted against the issuance of stock options that dilute existing shareholder value by more than 5 per cent, options unrelated to performance, and the lack of a mandatory holding period after options are exercised so that managers become long term shareholders. We also opposed employee stock purchase plans that granted a discount exceeding 10 per cent.

Board independence

bcIMC withheld voting for the election of a slate of directors that lacked a sufficient number who were independent. We also withheld voting for individual board nominees with records of poor attendance and lack of independence from management.

Auditors

bcIMC voted against the appointment of auditors where the fees paid for non-audit work exceeded audit fees, and supported proposals to limit non-audit fees to 50 per cent of all fees paid to an auditor.

U.S. PROXY VOTING RECORD FOR FISCAL 2003

Issue	Number	Voted For	Voted Against
Election of Boards of Directors	1059	70%	30%
Appointment of Auditors	635	39%	61%
Executive Compensation Plans	569	19%	81%
Takeover Protections	10	70%	30%
Shareholder Rights	510	57%	43%
Total	2783	50%	50%

Shareholder rights

Each year, we face a variety of proposals grouped under the umbrella of 'shareholder rights'. As with all proposals, we research the issues and vote in accordance with what we believe are the best interests of our clients. For example, we supported a resolution to give shareholders the right to vote on "poison pills" that allow a board to issue additional shares to make a hostile takeover offer more difficult and expensive to complete. We are opposed to plans that entrench management and allow them to ignore offers that would benefit shareholders.

Disclosure and social responsibility

Increasingly, proposals are submitted demanding that companies disclose new or more information, especially in relation to socially responsible investment issues. In some cases, we supported increased or new disclosure where we believed it would lead to improved accountability to shareholders. In other cases, we opposed such requests where a company is already in compliance with disclosure regulations and legislation and its competitive position could be harmed.

Our voting practices encourage companies to adopt the International Labour Organization (ILO) standards on good employment practices, the China Principles developed by the ILO and the United Nations to promote the economic, social and political rights of workers in China, and the CERES Principles designed to guide a corporation's approach to environmental matters. In fiscal 2003, we supported 29 resolutions in these areas.

We also supported proposals that require companies to add qualified women and minorities to the board, consistent with our belief in diversity, as well as several proposals seeking increased warnings about the hazards of smoking.

INTERNATIONAL PROXY VOTING RECORD FOR FISCAL 2003
(bcIMC began voting international equity proxies in January 2003)

Issue	Number	Voted For	Voted Against
Election of Boards of Directors	12	92%	8%
Appointment of Auditors	9	89%	11%
Executive Compensation Plans	10	70%	30%
Takeover Protections	0	0%	0%
Shareholder Rights	13	100%	0%
Total	44	89%	11%

Annually, bcIMC undertakes a business planning process to define our priorities, strategies and expected performance results for a three-year period. The *Service Plan*, the final product of our business planning process, is a public report that we post on our website at www.bcimc.com.

The following objectives summarized from the *2002/2003 – 2004/2005 Service Plan* help put the year's achievements in context. Further details of our major achievements are provided throughout this annual report.

INVESTMENT RETURNS:
To meet or exceed client benchmarks and add value through the implementation of astute investment decisions.

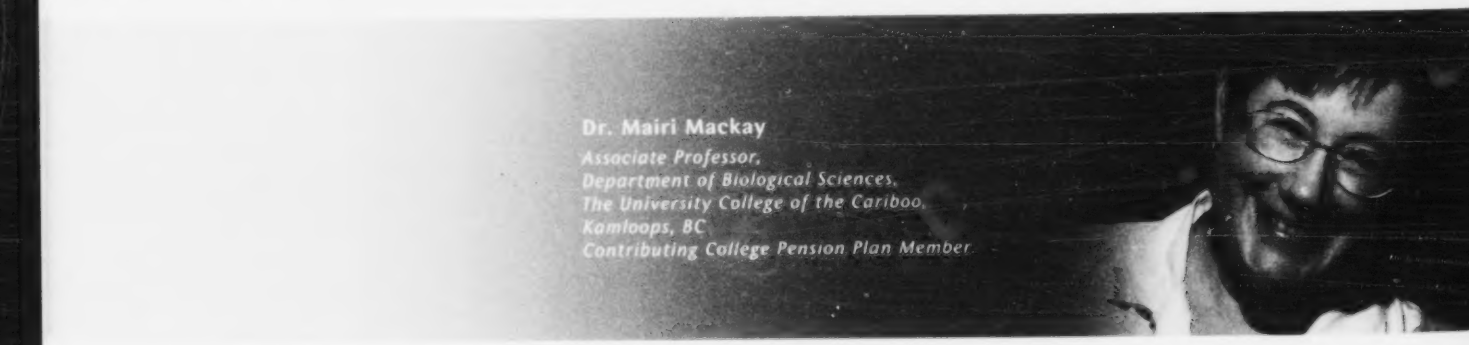
Investment return achievements in fiscal 2003

- Exceeded the total fund benchmark return for pension funds under management and added $283 million in value on the total pension portfolio. The one-year benchmark return was –10.17 per cent while a typical bcIMC pension plan client earned –9.44 per cent for the year ending March 31, 2003.
- Exceeded the long term actuarial required return (CPI+3.5 per cent) for pension funds under management. The annualized 10-year actuarial target was 5.4 per cent while pension plan assets earned 7.5 per cent on a total fund basis.
- Met or exceeded market benchmarks for the majority (70 per cent) of the pooled funds that were operational for the full year.

RISK MANAGEMENT:
To improve operational and market risk management.

Risk management achievements in fiscal 2003

- Launched five new pooled investment portfolios to diversify market risk, including currency overlay, infrastructure and enhanced Canadian equity funds. A U.S. Equity Derivatives Fund was also established, with significant preparation done to launch similar pools for Europe and global markets.
- Continued to research, measure and document operational risks in an enterprise-wide review.
- Prepared and issued a Request for Proposal (RFP) for global custody and related services.
- Prepared and issued an RFP for a Trade Order Management System (TOMS) to reduce



Dr. Mairi Mackay
Associate Professor,
Department of Biological Sciences,
The University College of the Cariboo,
Kamloops, BC
Contributing College Pension Plan Member

manual transaction processing and move to an automated pre-trade compliance regime.

- Successfully tested the Business Continuation Plans (BCP) for each bcIMC department and the Corporation's overall BCP.
- Prepared a disaster recovery plan to assist the board in maintaining business functions should a disaster impede bcIMC's employees from fulfilling their day-to-day duties.

Communication achievements in fiscal 2003

- Completed our first client satisfaction survey to ensure that reporting methods, timeliness and content met client needs.
- Initiated an intensive two-day orientation program for pension trustees to enhance investment and fiduciary knowledge.
- Developed an employee Intranet site for launch in fiscal 2004.
- Completed Extranet sites for major clients.
- Communicated our Corporate Governance and Proxy Voting Guidelines to investee companies around the world.
- Increased levels of client service and consultation to help clients benefit from our new product options and guide them through challenging market conditions.

COMMUNICATIONS:
To keep clients, the board and staff well informed on matters affecting them and bcIMC.

Information system achievements in fiscal 2003

- Implemented a new mortgage management system.
- Prepared and issued an RFP for a new Private Placement system to support investment analysis.

INFORMATION SYSTEMS:
To establish and maintain automated systems which deliver/make accessible timely, accurate and comprehensive data.

Human resource achievements in fiscal 2003

- Recruited a new Vice President, Equity Investments and a new Vice President, Legal Affairs & General Counsel.
- Experienced low staff turnover.
- Organized a series of training sessions for employees by employees to enhance knowledge and understanding of investment issues and of the services performed across bcIMC.

HUMAN RESOURCES:
To attract and retain highly skilled, professional employees.

John Coates
Retired City of Vancouver Planner,
Galiano Island, BC
Retired Municipal Pension Plan Member

Pooled Fund Annualized Returns

	Fund	10 Year	5 Year	3 Year	1 Year
Short Term	Short Term Fund 1	4.7	4.3	3.9	2.6
	SCI 30 Day T-Bill	4.4	4.2	3.8	2.6
	Short Term Fund 2	5.0	4.6	4.2	2.8
	SCI 91 Day T-Bill	4.7	4.3	4.0	2.7
	Short Term U.S. Fund 3	6.4	5.1	4.1	-6.4
	Salomon Smith Barney 30 Day T-Bill	5.8	4.5	3.7	-6.4
	Short Term Bond Fund		6.1	7.2	6.8
	SCI Short Term Government Bond		6.0	7.1	6.9
Mortgages	Fixed Term Mortgage Fund		7.7	8.6	9.7
	SCI Short Term Bond + 1%		7.1	8.3	8.0
	Construction Mortgage Fund		7.2	7.0	6.0
	SCI 1 Year T-Bill + 1%		5.9	6.1	4.6
	Specialty Mortgage Fund			9.7	9.2
	SCI 1 Year T-Bill + 2.5%			7.7	6.2
Bonds	Indexed Government Bond Fund		6.3	7.7	9.3
	SCI Government Bond		6.2	7.6	9.5
	Pension Bond Fund		6.3	7.8	9.6
	SCI Government Bond		6.2	7.6	9.5
	Long Term Bond Fund			7.7	12.3
	SCI Long Term Government Bond			7.6	12.1
	Corporate Bond Fund	9.0	6.3	8.2	9.0
	SCI Corporate Bond	8.9	6.2	7.8	8.2
Sinking Funds	BC Hydro Sinking Fund	7.8	6.5	8.1	9.9
	BC Hydro Sinking Fund Benchmark		6.1	7.6	9.1
	BC Direct Debt Sinking Fund		6.1	7.9	9.9
	BC Direct Debt Sinking Fund Benchmark		6.1	7.9	9.7
	BCBC Sinking Fund		6.3	8.2	10.3
	BCBC Sinking Fund Benchmark		6.7	8.5	10.2
Stocks	Indexed Canadian Equity Fund	8.1	-1.3	-10.3	-17.0
	S&P/TSX Composite	7.8	-1.9	-11.1	-17.6
	Active Canadian Equity Fund	9.4	1.5	-2.0	-16.3
	S&P/TSX Capped	8.3	-1.0	-9.7	-17.6
	S&P 500 Fund		-2.9	-15.7	-30.6
	S&P 500		-3.1	-15.8	-30.6
	U.S. Value Index Fund				-31.1
	S&P/Barra Value				-31.9
	Enhanced Indexed U.S. Equity Fund			-17.1	-30.5
	Russell 1000			-15.9	-30.4
	Active U.S. Equity Fund		-2.5	-15.3	-30.9
	Russell 1000		-3.0	-15.9	-30.4
	Russell 2000		-3.5	-10.7	-32.6
	European Equity Fund		-7.4	-19.5	-32.5
	MSCI Europe Net		-7.0	-18.0	-31.3
	EAFE Fund		-5.2	-18.0	-28.6
	MSCI EAFE Net		-6.4	-19.1	-28.9
	Asian Equity Fund		-2.5	-23.4	-24.5
	MSCI Pacific Net		-5.0	-21.4	-22.4
Real Estate	Realpool	9.1	8.7	7.5	5.9
	CPI + 4%	6.0	6.6	7.0	8.3

Note: Due to their illiquid nature, the annualized performance of bcIMC's private placement and international real estate pooled funds is excluded as year-by-year performance returns can be misleading. To be assessed correctly, performance of these assets must be measured over the life of their respective fund.

bcimc Investment Management Corporation

Location: 3rd Floor, 2940 Jutland Road, Victoria, BC, V8T 5K6
Mailing Address: PO Box 9910, Stn Prov Govt, Victoria, BC, V8W 9R1

Financial Statements
March 31, 2003

Management's Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements of the British Columbia Investment Management Corporation (the 'Corporation') rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and present fairly the Corporation's financial position and results of operations. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These financial statements have been examined by the Corporation's independent auditor, the Auditor General of British Columbia, and his report is presented herein.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

Neil Muth
Vice President,
Finance & Operations

Report of the Auditor General of British Columbia

To the Members of the Investment Management Board
of the British Columbia Investment Management Corporation, and

To the Minister of Finance,
Province of British Columbia:

I have audited the balance sheet of the *British Columbia Investment Management Corporation* as at March 31, 2003 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Investment Management Corporation* as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 9, 2003

Wayne Strelioff, CA
Auditor General

	2003	2002
ASSETS		
Current assets		
Cash and short-term investments	$ 3,531,390	$ 2,919,306
Investment services direct costs receivable (note 5)	13,059,256	16,589,268
Fees and other accounts receivable	1,913,160	1,493,598
Prepaid expenses	184,104	96,123
	18,687,910	21,098,295
Organization Costs	72,373	113,729
Capital assets (note 6)	811,370	831,308
	$ 19,571,653	$ 22,043,332
LIABILITIES AND EQUITY		
Current liabilities		
Investment services direct costs payable (note 5)	$ 12,953,196	$ 16,578,110
Other accounts payable and accrued liabilities	4,307,600	3,308,052
	17,260,796	19,886,162
Equity		
Share capital (note 1)	10	10
Contributed surplus (note 7)	290,085	290,085
General reserve (note 8)	1,243,000	1,116,000
Retained earnings	777,762	751,075
	2,310,857	2,157,170
	$ 19,571,653	$ 22,043,332

Commitments (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

	2003	2002
REVENUES		
Funds management fees	$ 14,368,308	$ 13,631,918
Recoveries of investment services direct costs (note 5)	58,419,123	62,143,731
Other	97,165	238,015
Total Revenues	$ 72,884,596	$ 76,013,664
EXPENSES		
Investment services direct costs (note 5)	$ 58,419,123	$ 62,143,731
Salaries and benefits	10,208,201	9,322,077
Professional services	520,574	523,168
Systems operations	1,486,774	1,311,633
Insurance	414,912	288,865
Office and business	873,313	623,325
Rent	478,582	413,455
Other	129,853	234,445
	72,531,332	74,860,699
Amortization	199,577	161,996
Total Expenses	$ 72,730,909	$ 75,022,695
NET INCOME	153,687	990,969
RETAINED EARNINGS - beginning of period	751,075	495,340
Transfer to general reserve	(127,000)	(735,234)
RETAINED EARNINGS - end of period	$ 777,762	$ 751,075

See accompanying notes to financial statements.

	2003	2002
CASH PROVIDED BY (USED FOR):		
Operating activities		
Income for the period	$ 153,687	$ 990,969
Items not involving cash		
Amortization	199,577	161,996
Cash flows from operations	353,264	1,152,965
Changes in non-cash working capital		
Accounts receivable	3,110,450	(2,375,479)
Prepaid expenses	(87,981)	(67,140)
Accounts payable	(2,625,366)	(1,073,394)
Deferred income	–	(288,360)
	750,367	(2,651,408)
Investing activities		
Capital assets	(138,283)	(350,591)
	(138,283)	(350,591)
INCREASE (DECREASE) FOR THE PERIOD	612,084	(3,001,999)
CASH AND SHORT-TERM INVESTMENTS - beginning of period	2,919,306	5,921,305
CASH AND SHORT-TERM INVESTMENTS - end of period	$ 3,531,390	$ 2,919,306

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2003

1. Authority and Share Capital

The British Columbia Investment Management Corporation (the 'Corporation') was established as a corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the 'Act'). The capital of the Corporation is one share with a par value of $10. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the 'Province').

2. Nature of Operations

The Corporation assumed responsibility for the fund management services previously provided by the Office of the Chief Investment Officer, a division of the Ministry of Finance, on January 1, 2000. The Corporation is responsible for managing the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly administered trust funds.

The Corporation is exempt from federal and provincial income taxes.

3. Assets under Administration

The estimated market value of assets managed by the Corporation on behalf of various trust funds and its other clients is approximately $53 billion as of March 31, 2003 (2002: $60 billion).

These assets may be invested in segregated investments, or be aggregated in one or more of the pooled investment portfolios managed by the Corporation. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one beneficial owner.

The financial statements of the pooled investment portfolios and segregated assets held in clients' accounts are not consolidated in the financial statements of the Corporation.

4. Significant Accounting Policies

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of Presentation – The accrual basis of accounting is adopted.

Short-Term Investments – Short-term investments consist of units in the Corporation's Canadian Money Market Fund ST2 and the US Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate. Investments are recorded at the lower of cost or market value.

Organization Costs – Organization costs incurred in establishing the Corporation are capitalized and amortized on a straight-line basis over five years.

Capital Assets – Assets with a cost greater than $5,000 are recorded at cost less accumulated amortization. Software development costs, including labour and material costs for design, construction, testing, implementation and other related costs, are capitalized for business systems expected to be of continuing benefit to the Corporation.

Amortization is calculated on a straight-line basis over the estimated useful life, beginning in the quarter of acquisition, using the following rates:

Furniture, equipment	10 years
Mainframe, mini-computers, related software	5 years
Personal computer hardware, peripherals, related software	3 years

Leasehold improvements are amortized on a straight-line basis over the initial lease term.

Post-Employment Benefits

a) The Corporation and its employees contribute to the Public Service Pension Plan (the 'Plan') in accordance with the *Public Sector Pension Plans Act*, S.B.C. 1999 c44. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan. Under joint trusteeship, which became effective January 1, 2001, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation as of March 31, 2002 has determined that the Plan is in a surplus position.

The cost of employee benefits under the Plan is the amount of pension contributions in the year. The employer's portion of pension contributions paid to the plan during the year was $473,510 (2002: $423,440).

b) Employees are also entitled to a retiring allowance, as provided for under their terms of employment. The Corporation annually estimates and accrues the future obligation for retiring allowances as employees render the services necessary to earn the benefit. As at March 31, 2003, the accrued liability for retiring allowances is recorded as $232,900 (2002: $160,710).

Revenues – Revenues are received from investment income (including realized gains and losses), from recoveries of investment services direct costs, which are related to the pooled investment portfolios and segregated investments, and from fees charged for funds management services.

Investment income is recorded on the accrual basis. Investment services direct cost recoveries are recorded on the accrual basis as the related costs are incurred. Fees are recorded to recover all cash outlays and accrued expenses, and any changes in the general reserve directed by the Board.

5. Investment Services Direct Costs

In order to provide funds management services, the Corporation enters into contracts with third parties for investment services, custodial, legal, audit and other services. Where these costs can be identified as being incurred on behalf of a specific pooled investment portfolio or segregated investment held by a client, the costs are recovered directly from that entity.

These costs are shown as expenses and the recovery of those expenses as revenue in the Statement of Operations. The receivable balance reflects any amounts not yet recovered from these entities and the payable balance reflects the amounts accrued and owing to third parties.

	2003	2002
External Manager Fees	$ 51,270,612	$ 54,917,670
Custodial Fees	4,906,536	5,007,845
Legal, Audit, Other	2,241,975	2,218,216
	$ 58,419,123	$ 62,143,731

6. Capital Assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Furniture, equipment	$ 308,293	$ 79,362	$ 228,931	$ 248,296
Mainframe, mini-computers, related software	640,203	187,469	452,734	267,687
Personal computers, related software	17,211	13,330	3,881	9,618
Computer software under development	38,288	-	38,288	234,908
Leasehold improvements	159,195	71,659	87,536	70,799
	$ 1,163,190	**$ 351,820**	**$ 811,370**	**$ 831,308**

7. Contributed Surplus

On January 1, 2000, at the commencement of operations, the Province transferred assets, consisting of furniture and computers, to the Corporation at net book value resulting in a contributed surplus of $290,085. Of this amount, $79,352 was capitalized in accordance with the Corporation's accounting policies for capital assets (note 4). The balance of $210,733 consisted of assets whose book value was each less than $5,000. This amount was recorded on the Statement of Operations under the heading "Writedown of contributed assets".

8. General Reserve

At the discretion of the Board, general reserves for future expenditures may be appropriated from retained earnings.

	2003	2002
Reserve - beginning of period	$ 1,116,000	$ 380,766
Transfer from retained earnings	127,000	735,234
Reserve - end of period	**$ 1,243,000**	**$ 1,116,000**

9. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Transactions with these entities are considered to be in the normal course of operations.

10. Commitments

The Corporation has entered into a lease agreement for office space, having an original term extending over five years, commencing July 2000. The estimated rental for the remaining term of the lease is $983,800.

The Corporation has entered into a second lease agreement for additional office space, having an original term extending over four years, commencing June 2002. The estimated rental for the remaining term of the lease is $229,400.

11. Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

12. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Operations. The more subjective of such estimates are investment services direct costs, post-employment benefit accruals and employee incentive plan accruals. Management believes its estimates to be appropriate, however, actual results could differ from these estimates and these differences would be reflected in applicable future periods.

13. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

14. Restatement

During 2003, custodial fees relating to segregated investments were recognized as investment services direct costs expenses, and the recovery of those costs as investment services direct costs revenue. Previously, the recovery of these custodial fees was netted against the related expenses. The 2002 comparative figures have been restated to reflect the change. As a result, 2002 investment services direct costs expenses and the related recovery both increased by $190,522, and investment services direct costs receivable and payable both increased by $79,527.

Doug Pearce,
Chief Executive Officer
Chief Investment Officer
Jackie Beehler

Equity Investments

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Sheri Bryce
Jeff Constantinescu
Mike Harvey
Geoff Keith
Marcy King
Yilei Liang
Patrick Reddy
Mary Spurr
Charles Volkovskis
Lincoln Webb

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Vice President
Justin Aylward
Steve Barr
Chris Beauchemin
Peter McCrodan
Randy Storey

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Rachel Sexton

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Gina Pala
Andrea Petillion
Marshall Petrie
Cari Taylor
Lindsay Vernon
Fred Willows
Don Wong

Legal Affairs & General Counsel

Robert des Trois Maisons,
Vice President
Terry Trace

Corporate Secretary

Rita C. Andreone
Lawson Lundell

Auditor

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